

**Affordable housing**  
**Exploratory findings from the state of Queensland**  
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# Affordable housing: Exploratory findings from the state of Queensland

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# **Affordable Housing: Exploratory Findings from the State of Queensland**

**Mark T. Spence and Sudhir H. Kale, Bond University**

## **Abstract**

Affordable housing is proving to be a serious bottleneck in economic development: nationally, one in seven households is experiencing housing stress and one in 20 a housing crisis. Currently there is no coordinated scheme to rectify the housing situation; rather, a patchwork of “carrots and sticks” to encourage the development of affordable housing is being trialled. We report results of focus groups designed to understand challenges, needed reforms, and previous success stories pertaining to affordable housing. Nongovernmental organisations, government officials, and key individuals involved in housing provision from the private sector participated in the focus groups. The need for consistency and certainty in government policies and approaches – ideally initiated by the federal government – toward affordable housing emerged as a strong theme of discussion across all three groups

## **Introduction and Study Objectives**

Marketing scholars are under increasing pressure to address society’s problems, conflicting interests, and the quality and quantity of life goals (Fisk, 1981; Schultz, 2007). Arguably, nowhere do these issues converge more than in addressing the problem of affordable housing (Wasson and Hill, 1998). As Hill and Stamey (1990, p. 311) observe, “Going from ‘housed’ to ‘homeless’ is rarely a sudden or unexpected event. Instead, it is a process whereby an individual moves from a self-sufficient dwelling, such as an apartment, to living with friends, relatives, or in government-controlled, temporary housing, to the streets.” The focus of this study is not the homeless, but rather “middle Australians” struggling to make ends meet because they are buckling under high rental or mortgage payments.

Within the next 20 years state and local government agencies are planning for 550,000 new homes to be built in South East Queensland, the focus of this study. Unfortunately, the escalation in residential property prices throughout Queensland – and indeed the rest of Australia – has resulted in many individuals in the low- to-middle income bracket finding it difficult, if not impossible, to afford appropriate housing. Simply put, housing costs are increasing faster than household incomes. Words describing this situation are “housing stress,” where more than 30% of one’s income is spent on housing, and “housing crisis,” where 50% or more of one’s income is spent on housing. Judy Yates (2006) notes that 1.2 million households – one seventh of the total number of households in Australia – are experiencing housing stress and over 400,000 are in a housing crisis. These individuals at least have a roof over their head: The Australian 2001 census put the number of homeless people each night at 105,000. In light of this disturbing state of affairs, affordable housing has attracted considerable attention from a myriad of sources: federal, state and local governments; non-governmental organizations; and the private sector. The piecemeal proposals and policies to encourage the development of affordable housing have not resulted in a much needed systemic solution.

To appreciate the issues related to affordable housing, we sought to uncover commonalities and differences in perspectives across three stakeholder groups in Queensland: non-governmental organisations (NGOs), local and state government agencies (Govt.) and the private sector (Private). This phenomenological inquiry comprised of three focus groups, one for each of the stakeholders. Given each group’s interest in affordable housing, it was not difficult to find willing participants. The number of participants ranged from 7 in the NGO group to 13 in Government.

Each focus group lasted approximately two hours, and sought to address three broad research questions: (1) What the participants considered as success stories in affordable housing (AH); (2) What are barriers to creating AH? (3) If the group had the authority to propose three reforms to address the AH crisis, or could endorse three currently existing policies, what would these be?

What follows are the key findings categorised by success stories, barriers to AH, and proposed reforms. Prior to or immediately following each issue, the group or groups making the statements is (are) indicated, thus shedding light on shared versus unique comments. This study therefore reveals the opinions of those involved, directly or indirectly, in creating affordable housing. What quickly becomes apparent is that they are well versed in a range of issues encouraging and inhibiting the creation of affordable housing; but, importantly, their 'world views' vary considerably despite the fact that all claim to be deeply involved with AH. Various organizations exist to advance systemic approaches to providing AH; we leave it to them to develop 'the panacea to affordable housing'. Our goal is modest but important: these organizations must acknowledge that disparate views exist, rather than start with the assumption that there is a shared common body of knowledge.

## **Findings**

### **Success stories in affordable housing**

*Not-for-Profit Housing Company Model: (NGO, Govt., Private)*

All focus groups mentioned the Brisbane Housing Company (BHC) as a "demonstrated success on the ground", with examples drawn from a number of BHC developments, such as Warry St, Fortitude Valley (104 mixed studio units and boarding room clusters renting at around \$110/wk) and Ramsgate St, Kelvin Grove Urban Village (34 mixed studio/1 & 2 bedroom units). It was noted that future success of this model continues to rest on the broader affordability index of the rental market. As rents continue to escalate in high growth areas, 75 percent of market rent is unlikely to meet affordability requirements. For this reason, this approach is unsuitable for highly priced areas (i.e., Inner City Sydney). While BHC was generally considered a success by the focus groups, replication was deemed limited due to reliance on large capital grants and considerable management expertise needed to implement the projects. It was also noted that while BHC has an ambitious development program, in relation to the scale of the problem, the total number of units developed was a "fairly small drop in the ocean".

*Public/Private Partnerships (PPPs): (NGO, Govt., Private)*

Variations of PPPs were also identified by all three groups. In some cases, the state government assists in construction and owner-operator costs while the private party provides the land. This has worked well with church groups who have existing land holdings, though in these cases applications are mostly limited to social housing provision, those targeted to the low income or unemployed groups. Land or existing public housing titles are transferred to a preferred AH provider, who then uses the equity to attract private finance for construction of rental accommodation. It was commonly acknowledged that strong political will to support such programs at a state level was instrumental in their success.

It was noted that PPPs between NGOs and the private sector can deliver mutually beneficial outcomes if local government planning schemes offer planning gains such as density bonuses and car parking relaxations within developments. These arrangements are often underpinned by AH covenants.

*Affordable Housing Covenants: (NGO, Govt.)*

Housing is made available for a period of time (e.g., 10 years) to tenants who meet the eligibility criteria for affordable housing. Ownership is privately held, while tenancy management is outsourced to community housing providers. At the end of the period, the housing is then released from the covenant. Overall, the number of dwellings created using this approach was

described as modest. The NGO focus group noted that this tool serves best as a parallel strategy, and by itself, does not provide a long-term solution to AH.

*Inclusionary Zoning and Conditional Development: (NGO, Govt., Private)*

Under these arrangements developers are required to include a number of AH units within new developments. All focus groups identified a range of Australian and international examples. In some cases, application was site specific (i.e., Kelvin Grove Urban Village) or a requirement of broader urban renewal (i.e., Subiaco Redevelopment Authority). In such instances, a percentage of AH is incorporated into the Master Plan for the site or precinct and built into the tender process. In other cases (i.e., South Australia), it is integrated into local and state government planning strategies underpinned by specific legislation.

*Community Rent Schemes: (NGO)*

The tenant pays 25% of income or 75% of rental rate; the housing stock is privately owned. The home owner pays a management fee, but in return receives maintenance assistance, proven tenants, tax breaks, and other incentives.

*Creating “Relatives Apartments”, a.k.a., “Fonzy Flats”: (Govt.)*

A member of the family (loosely defined) is allowed to build a cottage on larger property blocks. Parents, for example, may build a cottage on their child’s property, or vice versa. This is proving very popular. Development is limited by gross floor area (GFA). It is also limited in that banks and financial institutions do not finance the construction of the dwelling as the “house” is not on a separate title.

Across the various focus groups, it became clear that the private sector promotes AH for *diversity* reasons, not *social justice*, which was the implied slant of both the government and the NGOs. This insight has profound implications as to how best to market AH to the public. Properly designed diverse developments can meet the “triple bottom line” (social, economic and environmental); and diversity has been shown to increase economic productivity within an area. NGO groups would like to encourage greater dialogue with the community concerning AH, but cautioned that doing so could backfire because many well-off home owners have negative perceptions concerning AH, what could be referred to as the ‘not in my backyard’ syndrome. Arguing that inclusion of AH can increase economic activity within an area, which could very well increase the value of the non-AH housing stock, puts a very different and advantageous ‘perceptual spin’ on the merits of AH.

## **Barriers to creating affordable housing**

All groups noted that the Federal Government has the money, but little interest and a reluctance to engage in AH projects. All agree that the State government has significant planning power, but generally lacks proactive leadership in providing AH. There was also consensus that local authorities have little money, but are attempting to advance creative initiatives, albeit in a piecemeal and highly inconsistent fashion.

At the council level, it was pointed out by all three groups that it is taking longer and longer to process development applications. The NGOs were quick to point out that such delays are frustrating and wear down those involved. In addition, a constant churn of top decision makers and the loss of experienced planners exacerbate the delay problem.

All groups noted that the State Government needs to adopt a proactive leadership role in coordinating a centralised approach to the delivery of AH. As is, there is a lack of consistency in policies and procedures at the local level. One senior planner noted laughingly that it would be difficult for him to change councils because he wouldn’t know their system! This seemingly light hearted comment has profound practical ramifications: this should not be the case.

The Government used the expression *consistency* in zoning/consistency in codes; the private sector used the word *certainty*, in reference to policies and procedures applicable to development – there is an overlap in the gist of what they were saying. With certainty, risk/return trade-offs can be calculated, which is critical to developers. Both the government and the private sector felt that consistency/certainty in “rules” is compatible with variations in product offerings: the target audience for AH have different needs, hence there is not a one-style-fits-all AH design (a sentiment echoed by the NGOs). All groups supported the need for town planning. As a proposed reform, NGOs claimed consistency is required across all tiers of government. The following views were also expressed.

(Govt., Private) There is a land shortage; it is a sellers’ market for land lying within the planning footprint. The Private group did acknowledge that widening the footprint would have the downside effect of increasing the burden on government to provide services over a wider area.

(Private) Need improved land efficiency. (Govt.) Rules pertaining to high density housing are very difficult to comply with, and increase the cost to build.

(Govt., Private) Infrastructure charges are problematic; they were about \$12-15K per lot and can now be between \$40-50 K per lot, adding significantly to the cost of producing a block of land. The Government considers this a serious inhibitor to creating affordable housing, although there might be creative ways to finance this cost.

All groups acknowledged the existence of various carrots (e.g., tax incentives, GFA bonuses) and sticks (stipulated AH percentages, i.e., inclusionary zoning to receive development approval). The Government indicated that with judicious use of positive levers (carrots), getting down to 75% of market value was quite achievable. The Government and Private sector noted that “carrots and sticks” are not used in any consistent fashion. NGOs expressed concern about the use of sticks because developers may react by relocating their activities elsewhere.

### **Proposed Reforms**

All three groups advanced innovative suggestions to alleviate the AH crisis, which appear below. These suggestions are not listed in any particular order. Those in the government suggested:

1. Consider creating a land development bank. Land can be purchased, up-zoned (increasing its value), master planned, then put out for tender.
2. Need for more seed funding.
3. Need better data collection and monitoring. There is a shortage of reliable data and inconsistency in data interpretation and representation.
4. Do more with surplus government land (like depots, outdated schools, etc.) and adopt a more coordinated and planned approach to the management of its disposal.

The Private Sector suggestions were:

1. Increase land supply/land use efficiency by re-examining land constraints created by the designated urban footprint.
2. Need for Department of Housing reform.
3. Examine the basis of infrastructure charges and establish whether they should be borne solely by new developments.
4. Broaden tax base to pay for AH.
5. Be explicit as to what incentives (levers) are available, and create a policy that applies these tools consistently.

6. Do not ignore the piecemeal solutions, like the Relatives Flat.
7. The State must take a leadership role and create consistent policy with funding.
8. Emphasize the 'triple bottom line.'
9. In reference to government bodies, "Words alone won't do it."
10. Examine the appropriateness of financial (dis)incentives, e.g., GST, stamp duty, Land Tax, capital gains tax, negative gearing, etc.
11. Need to look at innovative construction practices to drive the cost of production down.
12. Houston, Texas (USA) was cited as being able to achieve Affordable Housing through minimum planning controls, hence, leaving housing to free market forces.

NGOs advanced the following:

1. While echoing the need for more State intervention, they talked more about the need for policy input and funding from the Federal Government.
2. The role of Australian Housing and Urban Research Institute (AHURI) needs greater influence and recognition.
3. Need better coordination between councils.
4. Guardedly called for more community involvement, but acknowledged that any such discussion would need to be bounded, otherwise the purpose of the discussion (to promote more AH) may backfire – the more affluent may oppose AH inclusion.
5. Create accredited AH Managers.

### **Implications**

This exploratory research uncovered a range of issues and viewpoints concerning AH. The singular message to emerge from focus groups across the three constituencies is that disparate views exist, hence AH planning schemes should not assume there is a shared common body of knowledge. From a macromarketing standpoint, the focus groups brought to the fore the complexity of exchanges when it comes to AH; however, this research did not capture the voice of clients, and this important gap needs to be filled in future research.

Macromarketing scholars could contribute to solving the AH problem by putting in place a systematic research agenda. This should include research on the determinants of AH cf. Yates, 2006), the AH suppliers, the various products of AH (condominiums, single dwellings, community living, etc.), appropriate price points, and, importantly, the needs and resources of the users of AH. As Bartels and Jenkins (1977, p. 17) suggested over forty years ago, "(M)acromarketing should connote an aspect of marketing 'larger' than what is otherwise considered....It has meant the marketing process in its entirety, and the aggregate mechanism of institutions performing it....It has also meant the incontrollable environment of micro firms."

While the antecedents and consequences of affordable housing may vary across regions, severity of the problem is felt from Australia to Afghanistan; from Mumbai to Mombasa. We therefore believe that this is a relatively virgin area offering a lot of potential for meaningful macromarketing research.

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